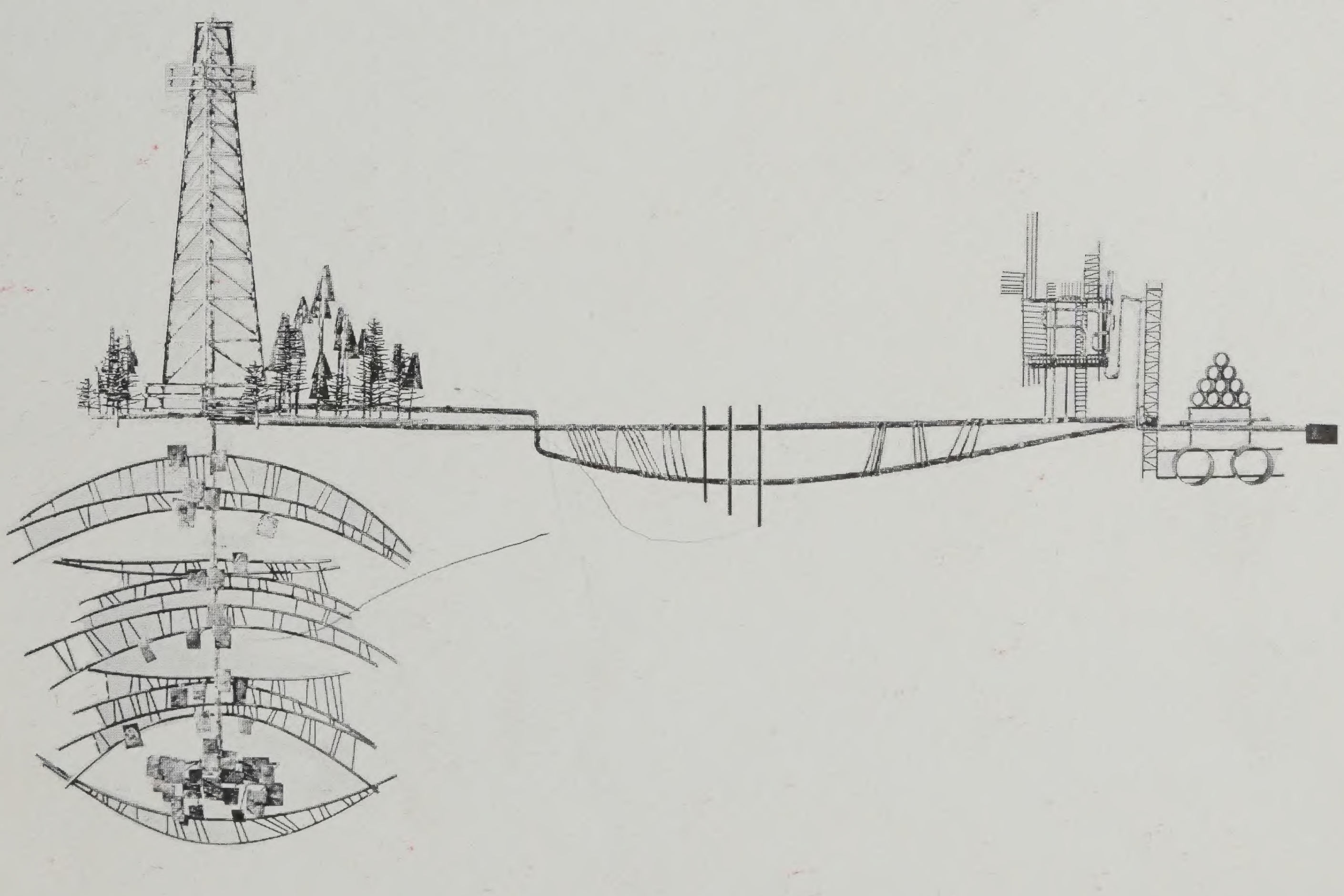
ANNUAL REPORT 1967



The Annual Meeting of the Company will be held on November 2, 1967, in the Winchester House, 77 London Wall, London, E.C. 2, England, commencing at 12:00 o'clock noon.

The notice of meeting, proxy and information circular are enclosed.

HIGHLIGHTS

		1967		1966
Financial				
Gross income after royalty	$	260,259	$	259,347
Cash flow	$	50,212	$	80,857
Net profit	$	5,992	$	31,021
Working capital	$	(35,234)	$	(20,152)
Outstanding shares common stock		5,144,641		4,490,686
Operating				
Oil production, net bbls after royalty		63,684		74,138
Gas production, net Mcf after royalty		398,571		500,269
Gross working interest land, acres		752,873*		668,037*
Net working interest land, acres		117,700*		115,850*
Gross royalty land, points		14,683		101
Net royalty land, points		7,392		101
Drilling Program				
Drilling and land acquisition costs	$	50,288	$	110,674
Total gross wells drilled		4		12
Successful gross wells drilled		2		8
Total net wells drilled		0.88		2.65
Successful net wells drilled		0.38		1.81

* *Includes Company's interest of 25 percent in acreage owned by Syracuse Oils Norge A/S*

In celebration of Canada's centennial year, the Company is pleased to present on the cover of this year's Annual Report a photographic reproduction of an original metal sculpture created by Canadian artist Bob Oldrich. The sculpture in steel and brass of an oil derrick with the geological formations, pipelines and refineries measures 36 inches by 55 inches and hangs in the Company's head office in Calgary.

SYRACUSE OILS LIMITED

ANNUAL REPORT

For Fiscal Year Ended May 31, 1967

Directors	J. Richard Harris, *President,* Calgary, Alberta Arthur Pollard, *Refinery and Pipeline Executive,* Les Marronniers, Jersey, C.I. James S. Palmer, *Barrister and Solicitor,* Calgary, Alberta Angus A. Mackenzie, *Oil Executive,* Calgary, Alberta Geoffrey Kohn, *Financier,* Birmingham, England Gerald Gaetz, *Business Executive,* Vancouver, British Columbia
Officers and Key Personnel	J. Richard Harris, *B.Sc., M.A., P.Geol.,* President and General Manager Arthur Pollard, Vice-President James S. Palmer, *B.A., LL.B.,* Secretary and Treasurer William R. Keir, *B.Sc., P.Eng.,* Chief Engineer Art H. Gilmour, Chief Accountant
Registrars and Transfer Agents	Guaranty Trust Company of Canada, Calgary, Vancouver Cassleton Elliott & Co., London, England
Auditors	Nash & Nash, Edmonton and Calgary
Stock Exchanges	Vancouver, British Columbia Calgary, Alberta
Bankers	The Royal Bank of Canada, Calgary
Solicitors	Burnet, Duckworth, Palmer, Tomblin and O'Donoghue, Calgary

HEAD OFFICE

635 Bentall Building, Calgary, Alberta

REPORT OF DIRECTORS

Amalgamation

The Directors herewith present the Annual Report of Syracuse Oils Limited for the fiscal year ended May 31, 1967. During the fiscal year the amalgamation of Sage Oil Company Limited and Syracuse Oils Limited into one company called Syracuse Oils Limited was completed. Shareholders of both companies approved the amalgamation at Extraordinary Annual Meetings held in November 1966. The Alberta Supreme Court approved the amalgamation on December 28, 1966, and the Registrar of Companies issued the new certificate on January 6, 1967. By January 31, 1967, all stock exchange requirements had been met and the amalgamated company's stock was called for trading on the Calgary and the Vancouver Stock exchanges and trading was continued on the London Stock Exchange under the special provisions of Section 163(1)E. The prompt co-operation of the shareholders in returning their stock certificates for overstamping or exchange has been greatly appreciated.

The comparative figures for 1966 given in the Annual Report are those for Sage Oil Company Limited and its subsidiary companies only. No income or balance sheet figures for Syracuse Oils Limited are reflected because at the time of the amalgamation it owned only non-income producing gross overriding royalties.

The amalgamation, which was strongly recommended by management and which received overwhelming support from the shareholders, brings into the new company the oil and gas reserves and working interest acreage of Sage Oil Company Limited and the vast royalty acreage of Syracuse Oils Limited. Your directors believe that these assets form a strong corporate base and should help institute a new period of growth for the shareholders.

Financial

The Company's gross income after paying all royalties increased slightly to $260,259 for the 1967 fiscal year as compared to $259,347 for the previous year. This increase resulted from extraordinary profits on the sale of fixed assets and petroleum properties which in the aggregate more than offset lower operating income from oil and gas production.

Cash flow for the 1967 fiscal year was $50,212 which is a substantial decrease from the 1966 cash flow of $80,857. The decreased cash flow results almost entirely from the significant increase in administrative cost which the Company experienced during the 1967 fiscal year. These additional administrative costs included higher salaries to key employees, non-recurring costs of the amalgamation such as extra registrar and transfer agents' fees involved with the share exchange, inauguration of a regular Interim Report, unusual printing expense, travel costs resulting from numerous Director's meetings concerned with the corporate reorganization and the moving costs incurred in transferring the Company's home office and its employees to Calgary. It is expected that the administrative costs during the next fiscal year will decrease.

During the 1967 fiscal year, the Company recorded a net profit of $5,992. This represents a decrease from the net profit of $31,021 recorded in the 1966 fiscal year. With the gross income about the same for both periods, this decrease in net income reflects the large increase in administrative costs offset somewhat by lower year-end charges for depletion and depreciation.

The shareholders should note when reviewing the balance sheet that the current fair market value of the Company's undeveloped petroleum properties and productive leases far exceeds their book value based on cost shown in the audited statements.

Land

The Company's inventory of land increased to a new record high for the 1967 fiscal year. Gross working interest acreage increased to 752,873 acres and net working interest acreage, after Crown reversion, increased to 117,700 acres. Gross royalty interests increased to an average of 1.54 percent on 1,520,426 acres equivalent to 14,683 gross royalty-points and, after Crown reversion, to 7,392 net royalty-points.

The working interest land is situated in prospective oil and gas basins in Alberta, the Yukon Territory, offshore Vancouver Island, and in the North Sea off Norway. The royalty acreage is situated in Alberta, the Northwest Territories, and the Yukon Territory.

During the 1967 fiscal year the Company also acquired a 20 percent undivided working interest in 98 uranium claims located about 15 miles northwest of Uranium City in the Beaverlodge area of northern Saskatchewan. This is the most active uranium area in Western Canada and your Company will be the operator for the group and will supervise the exploration of the 3,980 acres contained in the claim block.

Production

Net oil sales for the 1967 fiscal year after deducting royalty decreased to 177 barrels/day. For the comparable period in 1966, the Company's net oil production amounted to 203 barrels/day. This decrease resulted principally from lower allowables.

Net gas sales for the 1967 fiscal year after deducting royalty decreased to 1,093 Mcf/day. In the previous fiscal year the Company's net gas production was 1,371 Mcf/day. This decrease in gas production was due mainly to lower sales from the Company's Leduc field area markets.

Exploration

Due to the time, cost and effort attendant to the amalgamation of the Company, no exploratory drilling was conducted during the first half of the 1967 fiscal year. One development gas well was completed on the Company's acreage in the Winnifred area of southern Alberta. The Company did, however, participate in the drilling of three wells during the latter part of the 1967 fiscal year at Calling Lake. One of these wells was completed as a gas discovery.

The Company is actively pursuing other exploratory programs and has recently instigated drilling operations in the Little Bow area of southern Alberta and the Drumheller area of central Alberta. Preliminary work is under way in a number of other regions which appear to be favorable for oil and gas accumulation.

Future

Your Board of Directors have been very pleased with the results of the amalgamation and with the establishment of the Company's head office in Calgary. The Company's cash position has improved and the Company has incurred no problem in obtaining exploratory funds to finance its drilling programs. The Company plans to participate in about twelve wells each year over the near future which should provide sufficient exposure for discoveries.

The recent crises in oil supply, precipitated by the problems in the Middle East, have emphasized once again to the world's petroleum industry that the political stability and economic climate of areas such as Canada and the North Sea increases the attractiveness of these regions where your Company has been very active. Increased oil markets for Canada seem more promising now and your Company should benefit from any increase in demand for Canadian crude. We would anticipate that the northern regions of Alberta which have yielded such large reserve fields as Rainbow and Zama Lake will be explored agressively this winter and we are hopeful that several of the Company's royalty blocks will be drilled.

On July 14, 1967, Trans-Canada Pipe Line Limited published a best estimate of the route which their new large-diameter gas pipeline will take into the Marten Hills area of northeastern Alberta. The new line actually crosses the land block which your Company earned in its Calling Lake program. The construction of this new line should begin soon and markets for the Company's gas at Calling Lake and Lac La Biche should be available by 1969.

The Board of Directors wish to take this opportunity to extend deserving recognition to the employees for their diligent and loyal efforts over the past years, but particularly for the 1967 fiscal year when their work, even with the unusual problems created by the Company's amalgamation and relocation in Calgary, proceeded normally and effectively.

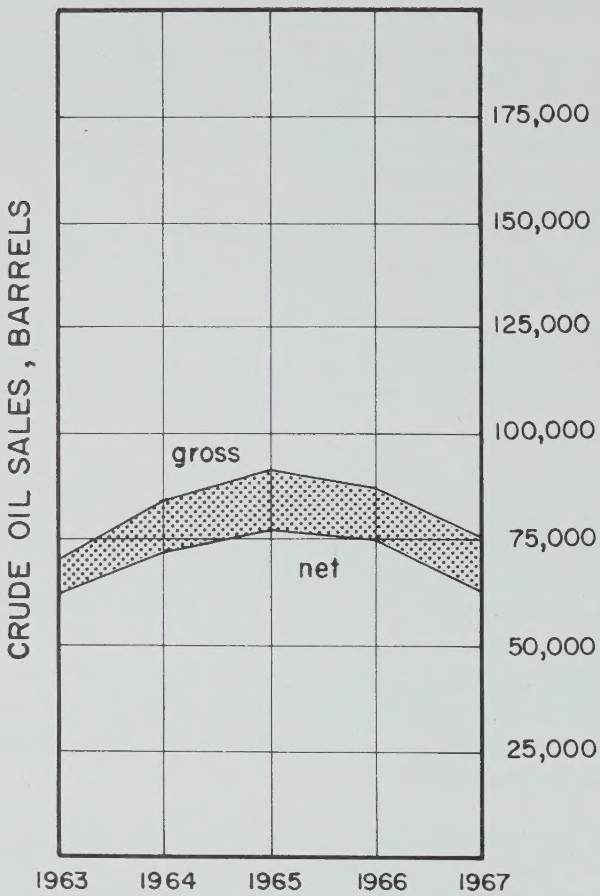
ON BEHALF OF THE BOARD OF DIRECTORS,

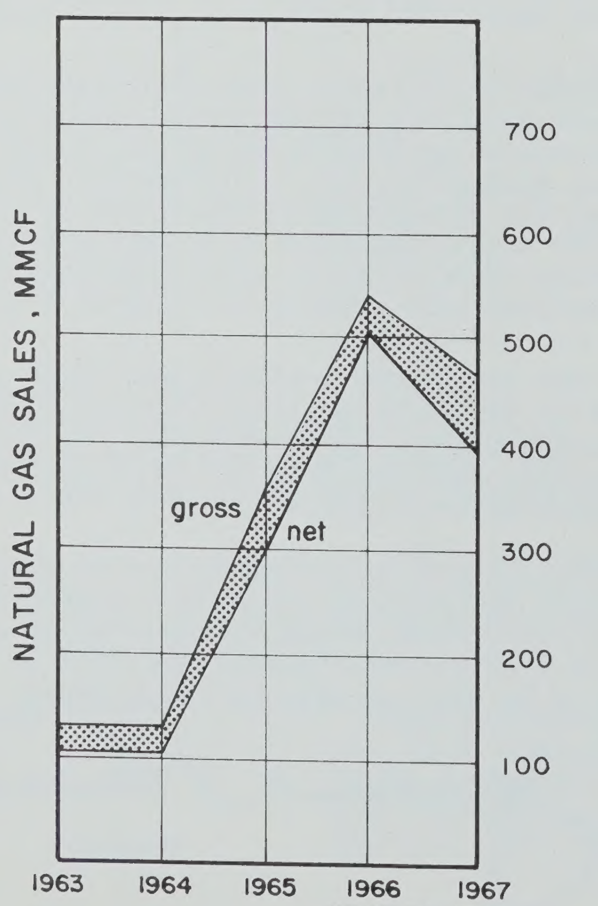
Michael J Farris

President

September 15, 1967

OPERATIONAL REVIEW





Oil Properties

Net oil sales for the 1967 fiscal year after deducting royalties decreased to 177 barrels per day. For the comparable period in 1966, the Company's oil production amounted to 203 barrels per day. This decrease results mainly from a severe Crown reduction in allowables on the Company's Garrington oil leases and to the natural decline being experienced by some of the Company's older oil wells. To bolster this declining production, the Company purchased from Murphy Oil Company Ltd. an average of a 25 per cent interest in five producing oil wells in the Leduc field area. The Company assumed operation of these wells.

The Company has an interest in 38 producing oil wells equivalent to 22.61 net oil wells. This is an increase of 2 gross oil wells over last year but a decrease of 1.75 net oil wells. This decrease in net wells is due to the abandonment of two oil wells in which the Company held 100 percent interest not fully offset by the Company's net interest in several gross oil wells acquired during the 1967 fiscal year.

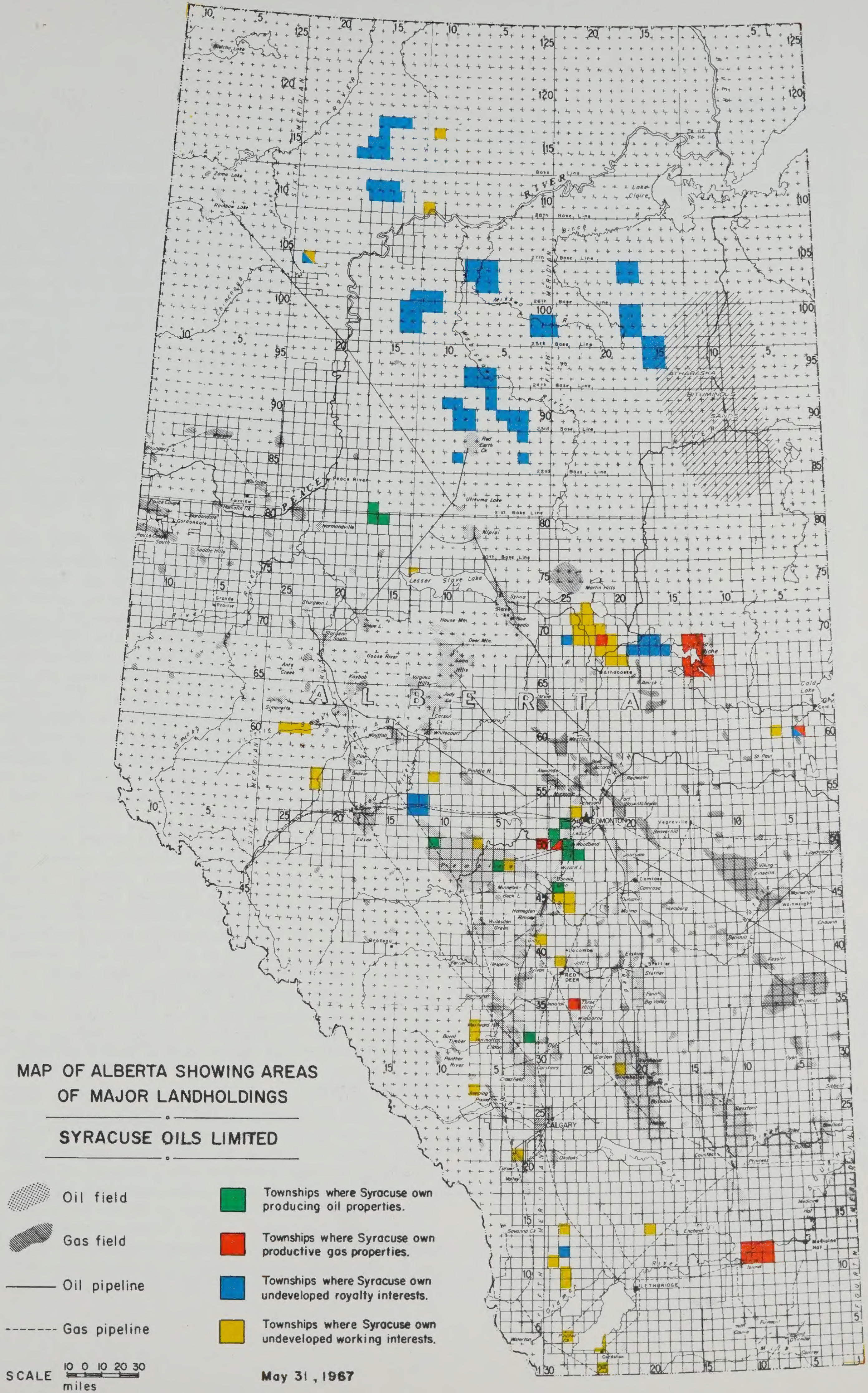
Gas Properties

Net gas sales for the 1967 period after deducting royalties decreased to 1,093 Mcf/day. In the previous 1966 period the Company's net gas production was 1,371 Mcf/day. This decrease in gas sales followed a rapid pressure loss on the Company's Cardium Projects No. 1 and No. 2 in the Leduc field area. Compression has now been installed and will permit higher gas deliveries against existing pipeline pressures.

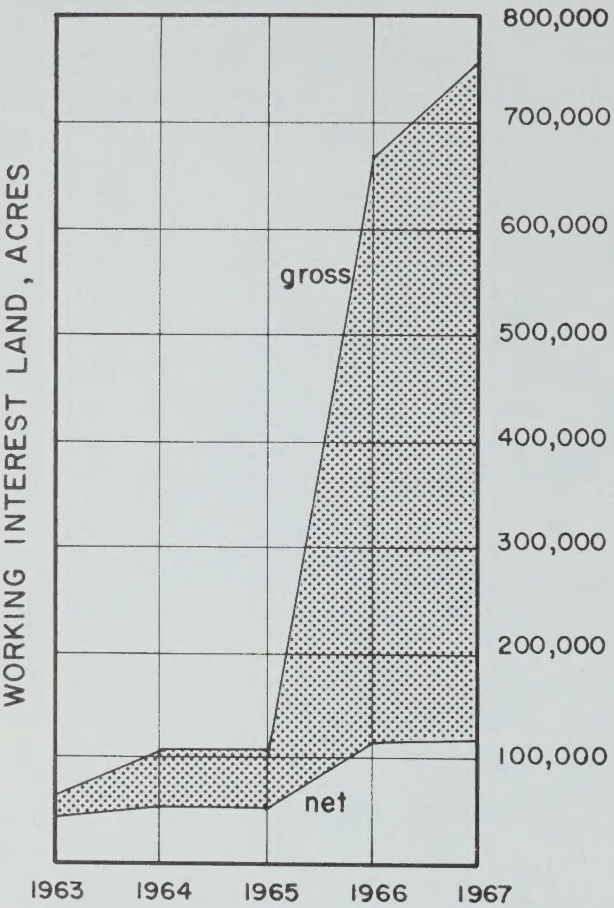
Efforts are continuing to obtain additional market connections for the Company's shut-in gas reserves, one of its main assets. In addition to the large export markets being sought through Trans-Canada Pipe Lines Limited, your Company is constantly trying to develop local markets for its gas supply. As operator for a group, your Company successfully won the contract to supply gas to the town of Bow Island, Alberta. First deliveries were on January 1, 1967, from two formerly shut-in gas wells in the Winnifred field; your Company owns a 12.5 per cent interest in this project. Your Company assisted in the establishment of a rural distribution and irrigation system in the area surrounding Winnifred. During the summer of 1966, a total of 45 miles of distribution line was laid and with extensions planned to the south and north, it is anticipated that an additional 80 miles will be laid very soon. About 100 housing units and irrigation pump stations have been signed up for gas service from this Winnifred gas distribution system.

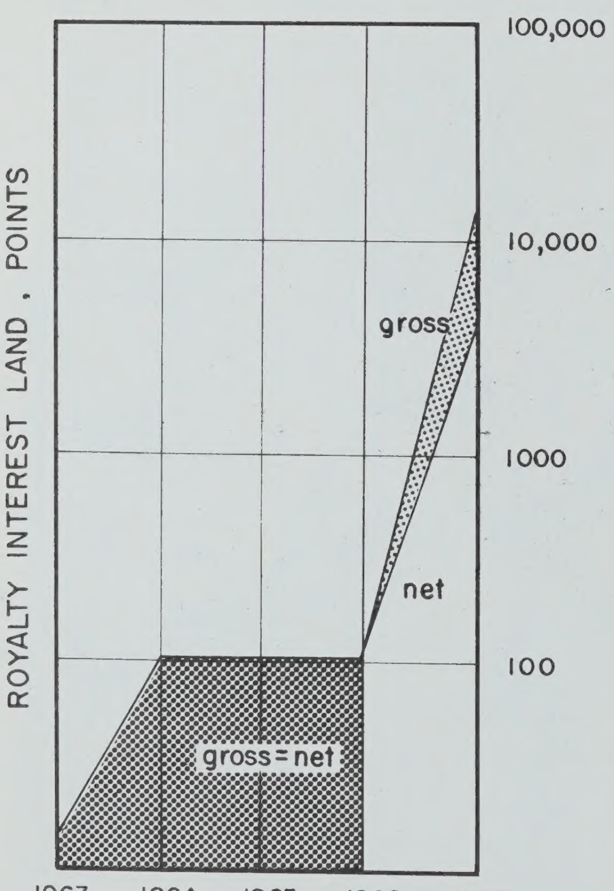
In the Lac La Biche area, where two of the Company's gas wells have supplied the town with fuel since 1960, an additional 5 miles of line have been laid and about 42 additional sales outlets have been installed including the town's airport. A further 15 market connections will probably take advantage of this new line and switch to gas service.

The Company has an interest in 26 gross gas wells of which 9 are producing and 17 are shut-in awaiting a pipeline connection. These interests are equivalent to 15.47 net gas wells of which 3.30 net wells are producing and 12.17 net wells are shut-in.


MAP OF ALBERTA SHOWING AREAS OF MAJOR LANDHOLDINGS
SYRACUSE OILS LIMITED
Oil field
Gas field
Oil pipeline
Gas pipeline
Townships where Syracuse own producing oil properties.
Townships where Syracuse own productive gas properties.
Townships where Syracuse own undeveloped royalty interests.
Townships where Syracuse own undeveloped working interests.
SCALE 10 0 10 20 30 miles
May 31, 1967
ALBERTA
EDMONTON
CALGARY
RED DEER
LETHBRIDGE
ATHABASKA BITUMINOUS SANDS
Lesser Slave Lake

LAND REVIEW





Working Interest

The total acreage owned by the Company increased to a new high of 752,873 gross working interest acres at the end of the 1967 fiscal year as compared to 668,037 acres which the Company owned after the close of the 1966 fiscal year. The Company's net working interest acreage, after allowing for Crown reversion, increased to 117,700 net acres at the close of the 1967 fiscal year which compares with 115,850 net acres owned at the close of the 1966 fiscal year. These totals include the Company's 25 percent interest in acreage owned by Syracuse Oils Norge A/S.

The Company recovered its investment in six permits in the Yukon and Northwest Territories by selling part of its interest in these lands (Page 7, 1966 Annual Report, Sage Oil Company Limited). In the three permits at Grand View Hills, the Company sold its 16-2/3 percent interest for cash but retained a 0.2 percent gross overriding royalty on the 150,786 acres contained in these permits. In the three permits in the Laird Plateau area, the Company sold 50 percent of its 16-2/3 percent interest in the 93,851 acres contained in this block for cash.

The Company acquired during the 1967 fiscal year an option to purchase Petroleum and Natural Gas Reservation #820, a block of 6,080 acres located in the Steen River area of northern Alberta about 130 miles northeast of the Rainbow field. Your management was successful in raising private funds to finance the purchase, and the Company, which will act as operator, has earned a 10 percent net carried working interest in the 6,080 acres for having arranged the financing.

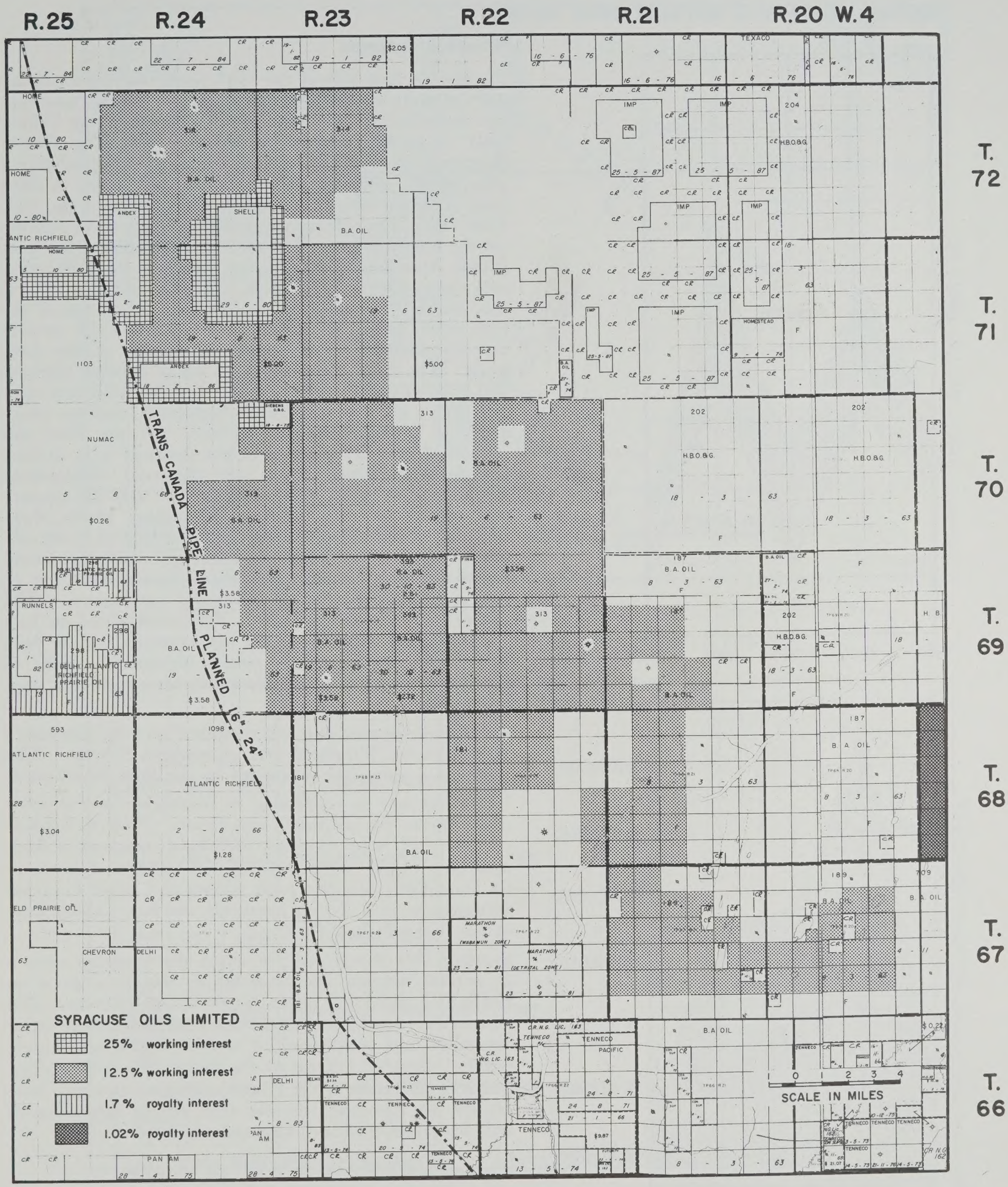
To further increase its land position in northern Alberta, the Company purchased all of the working interest in Petroleum and Natural Gas Reservations #448 containing 3,200 acres and #762 containing 3,840 acres. These tracts are located respectively about 65 miles southeast and 120 miles east of the Rainbow field.

As originator of the Calling Lake program and operator for an independent group, the Company earned, free of drilling cost, a net 12-1/2 percent working interest in 207,360 acres of prospective land and an option to drill three additional wells to earn a similar interest in another 207,360 acres. In addition, your Company purchased a 25 percent working interest in a 15,360 acre natural gas licence in the Calling Lake area. These lands are contiguous to those earned by the drilling program.

The Company retained all of its other land interests in Alberta as shown on page 5 and offshore Vancouver Island and in the North Sea off Norway as shown on page 9.

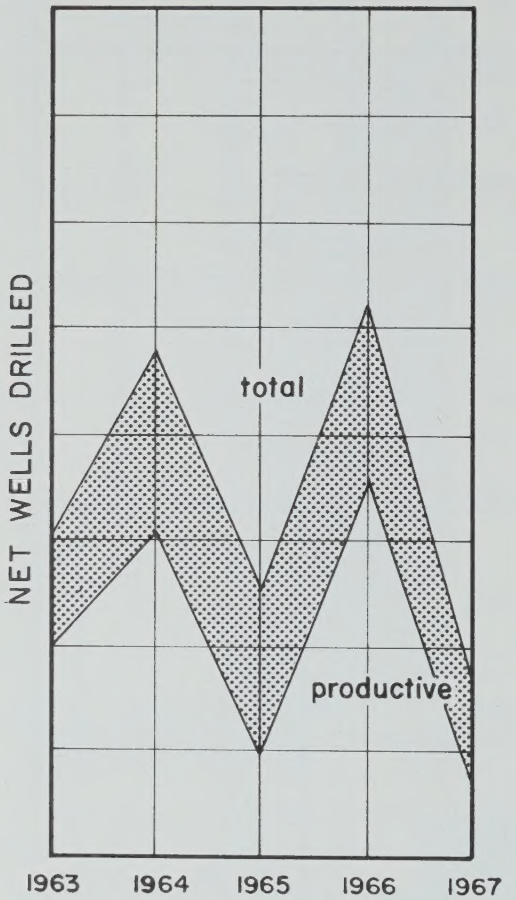
Royalty Interest

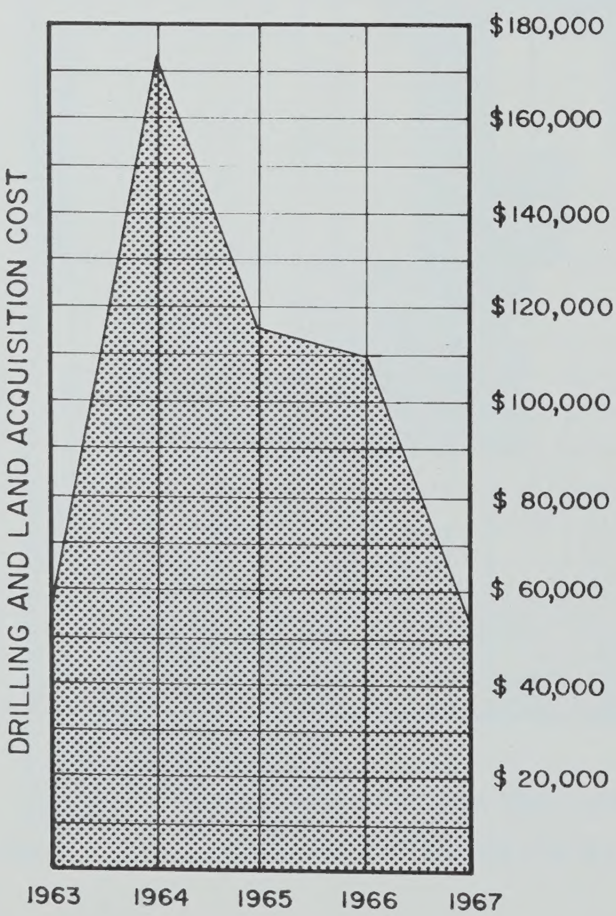
Prior to the amalgamation the Company owned an average gross overriding royalty of about 1.65 percent on 9,760 lease acres. As at the close of the 1967 fiscal year, the Company owned an average gross overriding royalty of about 1.54 percent on 1,520,426 acres. This represents an increase in royalty from only 101 net royalty-points to 14,683 gross royalty-points equivalent, after Crown reversion, to 7,392 net royalty-points. This represents an increase of over 70 to 1. A royalty-point equals a 1 percent gross overriding royalty on 160 lease acres.



MAP SHOWING COMPANY'S ROYALTY AND WORKING ACREAGE
IN THE CALLING LAKE AREA OF NORTHEASTERN ALBERTA

EXPLORATION AND DEVELOPMENT REVIEW





Working Interest

During the first half of the 1967 fiscal year the Company did not drill any exploratory wells due to the time and cost attendant to the amalgamation. However, the Calling Lake program, acquired by farmout from The British American Oil Company Limited, was partly designed during this period, although actual drilling of three Calling Lake wells did not occur until the second half of the 1967 fiscal year. The Company's personnel designed and conducted the necessary work to obtain the exploration rights from British American. The Company then sold the exploration program to Ritchie Oil C & K Ltd. who earned a 75 percent farmee's interest for advancing the drilling cost of the first three wells. The Company retained a 25 percent farmee's interest and supervised the drilling of the three wells. The wells were drilled to the Wabamun (Devonian) zone at about 2,500 feet. One of the wells was completed as a gas discovery in the Cretaceous, one was abandoned as a non-commercial gas well, and the third was abandoned as a dry hole. The gas discovery is in an area known as Richmond Park and additional development drilling will be conducted to ascertain how large this seperate pool might be. In addition, the drilling of the three wells has earned your Company the right to drill direct offsets to eight other British American gas wells previously drilled and your management believes that at least five of these offsets could establish substantial gas reserves. The announcement by Trans-Canada Pipelines Limited on July 14, 1967, that their next main line extension will be built into the Calling Lake area greatly increases the value of the interest which the Company has earned in this very large land block.

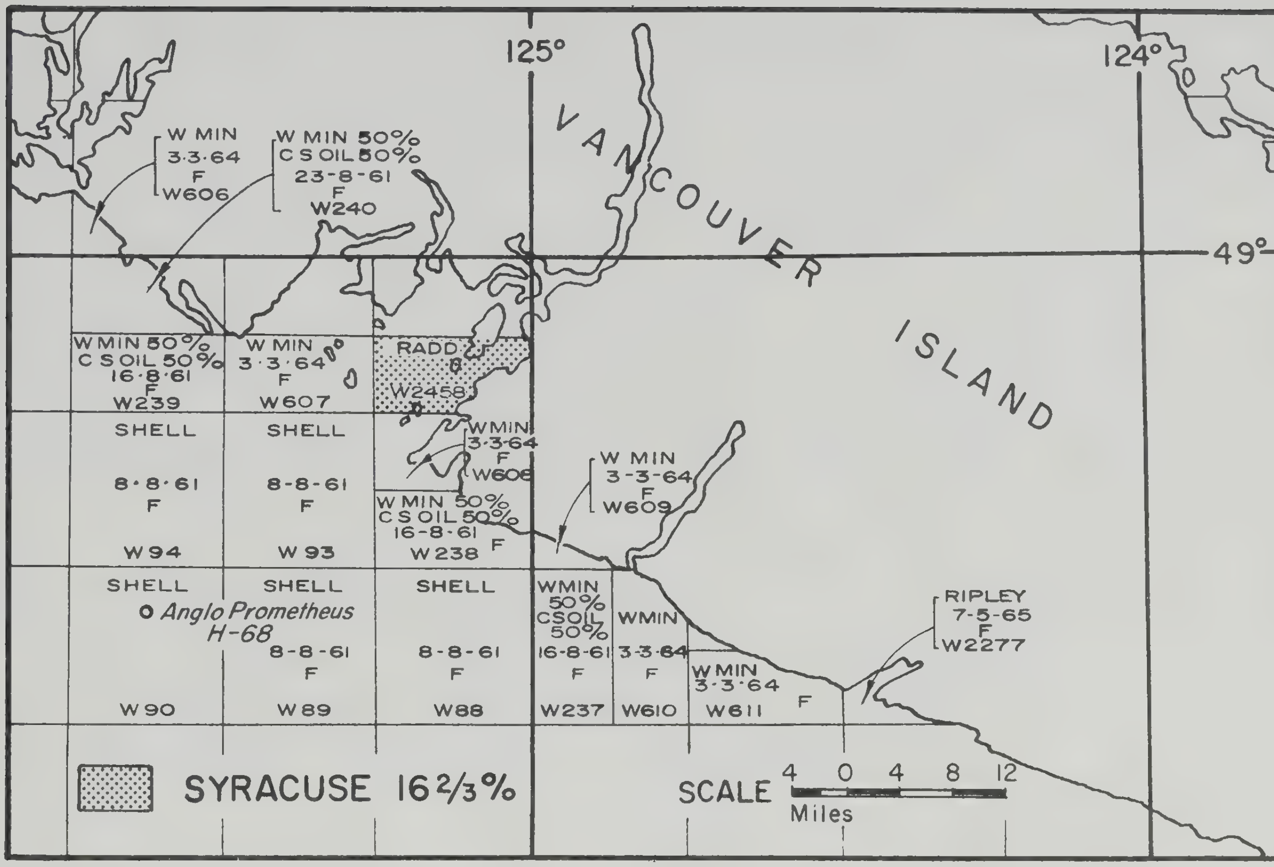
A fifth development well was completed on your Company's acreage in the Winnifred area of southern Alberta. This well was a successful completion in the Bow Island sand.

Your Company is continuing to investigate several prospective areas for additional exploration. Prior to September 30, 1967, your Company will have instigated drilling operations in the Little Bow area of southern Alberta, in the Drumheller area of central Alberta and, under its option arrangement with British American, the first Calling Lake option well will be drilled.

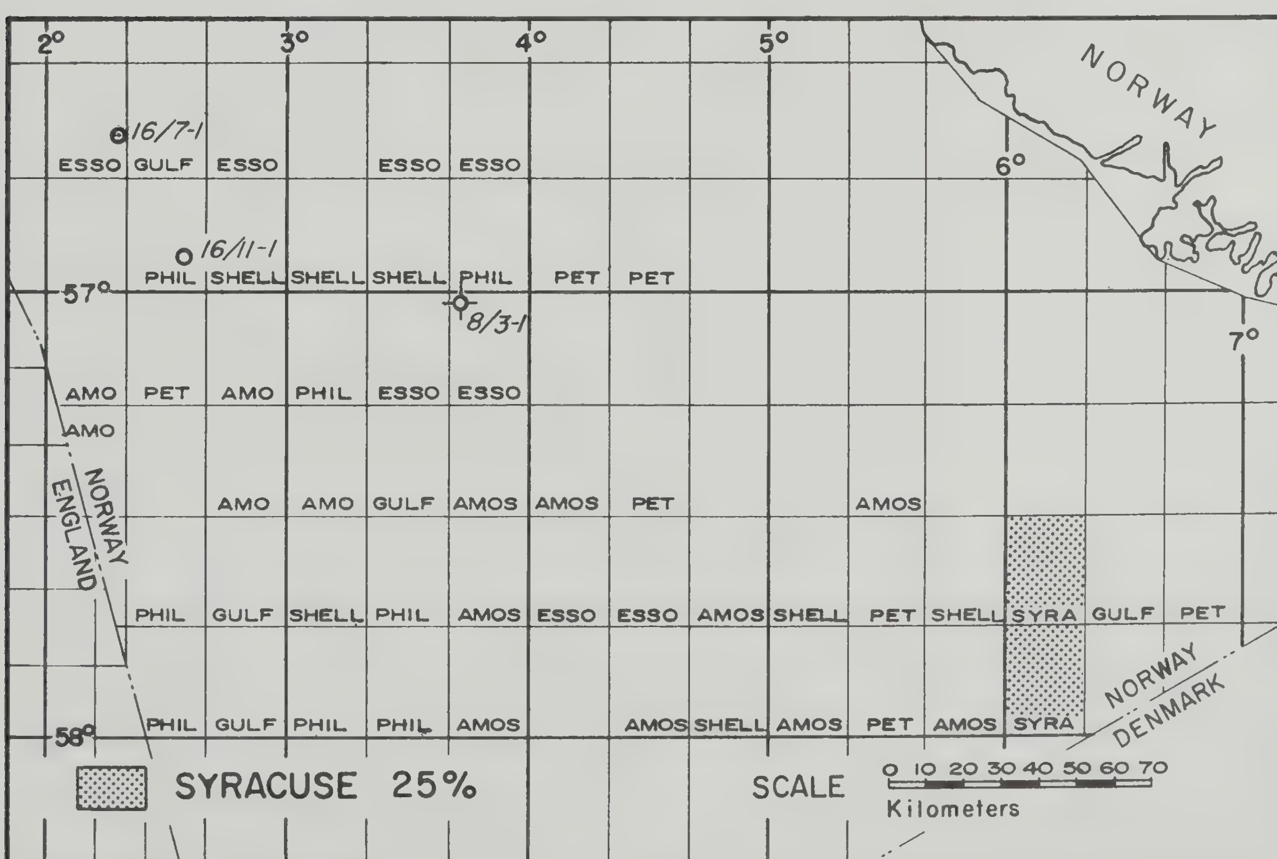
Syracuse Oils Norge A/S, in which the Company owns a 25 percent interest, has completed its seismic program on blocks 11-7 and 11-10 in the North Sea off Norway. The seismic record quality is considered good and several major anomalies have been identified within a thick sedimentary section. Detailed analysis of the seismic data is proceeding under the direction of the Company's consultants who have advised the Company that the final seismic interpretation will be available about November 1, 1967.

Royalty Interest

Two of the Company's royalty blocks were drilled during the 1967 fiscal year. Pan American Petroleum Corporation drilled a well on Petroleum and Natural Gas Reservation #452, a land block of 98,570 acres on which the Company owns a 1.23% gross overriding royalty. Mobil

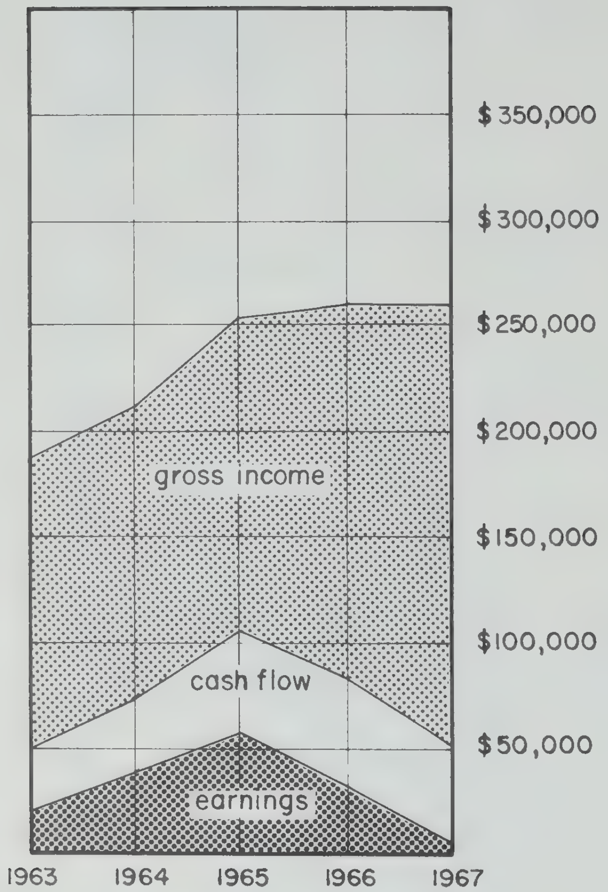


MAP SHOWING LOCATION OF COMPANY'S ACREAGE OFFSHORE VANCOUVER ISLAND, BRITISH COLUMBIA, CANADA



MAP SHOWING LOCATION OF COMPANY'S ACREAGE IN NORTH SEA OFF NORWAY

Oil of Canada drilled a well on Petroleum and Natural Gas Reservation #92 a land block of 79,680 acres on which the Company owns a 1.36% gross overriding royalty. As a royalty owner the Company is not entitled to any technical information on these wells; however, it is generally known that both wells have been abandoned and that Pan American and Mobil are processing the data corrected prior to any further drilling during the winter of 1967-68.

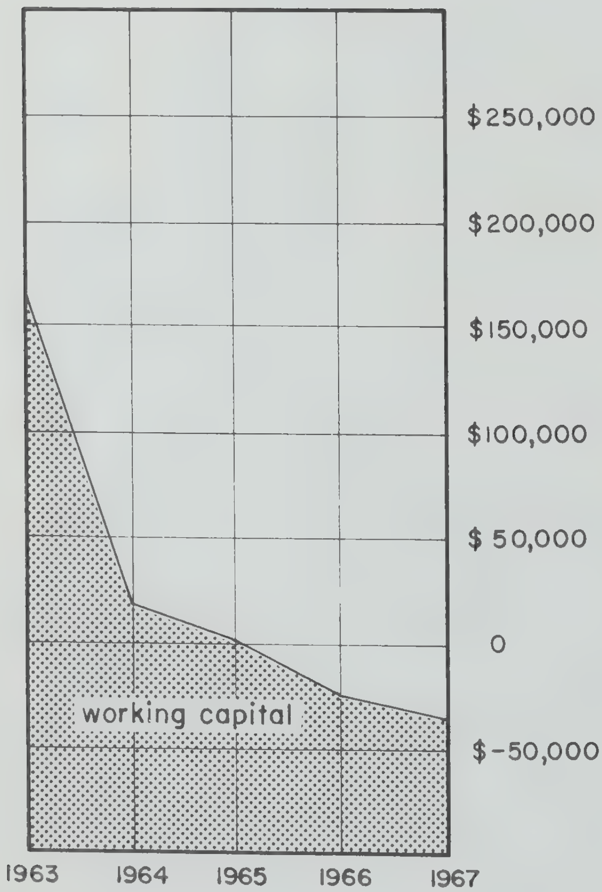


FINANCIAL REVIEW

The Company's gross income after paying all royalties increased slightly to $260,259 for the 1967 fiscal year as compared to $259,347 for the same period last year. This increase mainly reflects profits from the sale of certain non-income producing properties and fixed assets which more than offset lower operating income.

Cash flow for the 1967 fiscal year was down to $50,212 from $80,857 generated in the 1966 period. This decline in cash flow resulted from a substantial increase in expenses due to higher salaries for key employees and the very heavy cost of the amalgamation. Although the Company was successful, through abandonment of troublesome wells and selective reworking of others, in reducing direct field expenses by almost $5,000, the administrative cost increased by over $30,000.

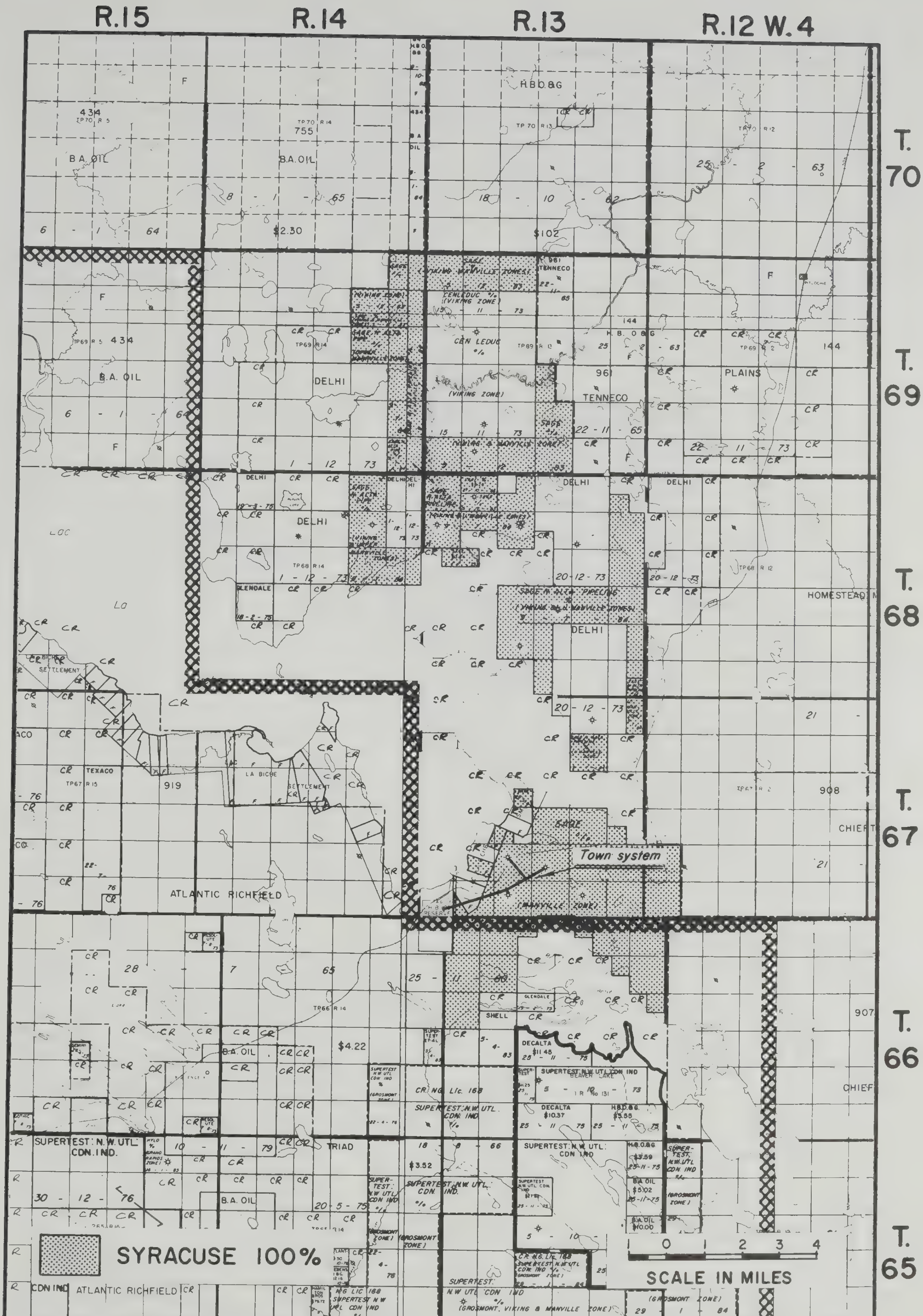
The Company's net profit for the 1967 fiscal year was $5,992. During the 1966 fiscal year the Company earned $31,021. Depreciation and development amortization charges for the year were about $6,000 less than the previous fiscal year. The drop in net profit again reflects the aforementioned unusual increase in administrative cost connected with the extensive relocation and reorganization of the Company. The Company expects that these corporate costs will be considerably reduced during the next fiscal year.



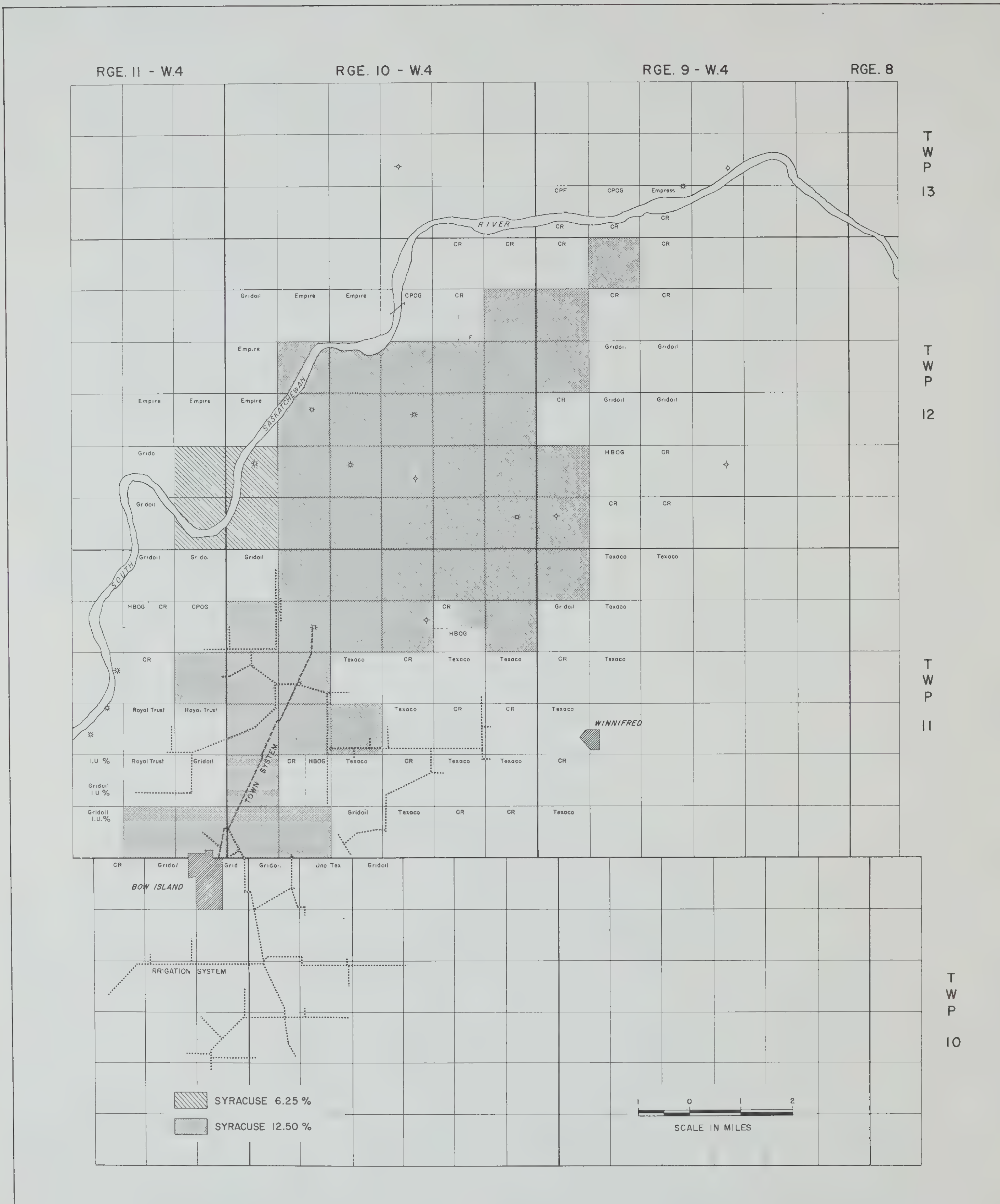
The working capital of the Company declined to —$35,234 at the end of 1967 fiscal year as compared to —$20,152 at the end of the 1966 fiscal year. This depletion of working capital which the Company has experienced for the past several years results from its heavy investment in shut-in gas reserves which currently yield no income to replenish the working capital. In addition the decline in working capital has been accelerated in the past fiscal year due to the heavy administrative cost which the Company has experienced from its recent amalgamation. With the bulk of the unusual amalgamation expenses behind the Company and with the prospects for gas markets improving, the Company believes that its working capital position will show a substantial improvement over the next several years.

The shareholders should note when reviewing the balance sheet that the audit does not reflect the current fair market value of the Company's producing leases nor its undeveloped properties. These items are carried at cost or book value on the asset side of the balance sheet and bear no relation to the present day value of these properties which substantially exceeds their book value.

The Company's cash position increased from only $2,096 in 1966 to $27,799 at the end of the 1967 fiscal year.



MAP SHOWING LOCATION OF COMPANY'S ACREAGE AT LAC LA BICHE. LANDS SOUTH AND WEST OF STRIPED LINE ARE WITHIN TRANS-CANADA'S EXPORT MARKET AREA.



MAP SHOWING LOCATION OF COMPANY'S ACREAGE AT WINNIFRED. TOWN SYSTEM AND RURAL DISTRIBUTION AND IRRIGATION SYSTEM WHICH BUY GAS FROM THE COMPANY ARE ALSO SHOWN.

FOUNDED 1907

Nash & Nash
Chartered Accountants

640 8th Avenue South West
Calgary, Alberta

ALAN H. NASH, C.A.
W ROBERT H. NASH, C.A.
BRYANT D. RICHARDS, C.A.
W. KEITH ADAMS, C.A.
W. B. SIMPSON, C.A.
S. A. LONG, B.COM., C.A.
PAUL R. KEROACK, C.A.
A. D. HOLM, B.COM., C.A.
HUGH K. NASH, C.A.
J. KONEVECKI, C.A

ALBERTA OFFICES
EDMONTON, GRANDE PRAIRIE
CALGARY, PEACE RIVER

ASSOCIATED FIRMS THROUGHOUT CANADA,
THE UNITED STATES OF AMERICA,
GREAT BRITAIN, CONTINENTAL EUROPE,
MIDDLE EAST, AFRICA AND AUSTRALIA

TELEPHONE 263-6765

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Syracuse Oils Limited and its subsidiary companies as at May 31st, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the attached consolidated balance sheet and statements of income, retained earnings and source and application of funds, supplemented by the notes appended thereto, present fairly the financial position of the company and its subsidiary companies as at May 31st, 1967 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Nash & Nash

Calgary, Alberta,
September 21st, 1967.

Chartered Accountants.

SYRACUSE OILS LIMITED

and its subsidiary companies

ASSETS

		1967		1966
CURRENT ASSETS:				
Cash in banks	$	27,799	$	2,096
Accounts receivable		158,538		60,353
Performance deposits		9,500		9,500
Inventories of oil and supplies, valued at the lower of cost or replacement cost		26,851		37,684
Prepaid and deferred charges		6,685		7,465
		229,373		117,098
FIXED ASSETS:				
Real estate, machinery and equipment, at cost		522,314		514,191
Less Accumulated depreciation (Note 2)		319,856		298,165
		202,458		216,026
INVESTMENT IN SHARES OF FOREIGN COMPANY:				
Syracuse Oils Norge A/S		250,000		250,000
INVESTMENTS IN PETROLEUM AND OTHER PROPERTIES at cost:				
Producing wells		506,445		567,036
Unproductive and suspended wells		879,601		770,888
Petroleum and natural gas leases, options and interests		349,107		347,059
Gross overriding royalties (Note 5)		326,978		-
Mining claims		25		-
		2,062,156		1,684,983
Less Accumulated amortization (Note 3)		129,142		112,990
		1,933,014		1,571,993
TOTAL	$	2,614,845	$	2,155,117

The notes on page 18 form an integral part of these statements.

CONSOLIDATED BALANCE SHEET, May 31st, 1967
with comparative figures for 1966

LIABILITIES

		1967		1966
CURRENT LIABILITIES:				
Bank indebtness (Secured):				
— Special loan	$	75,000	$	—
— Deferred loan payments		34,000		48,000
Accounts payable		149,911		83,564
Royalties payable		5,696		5,685
		264,607		137,249
DEFERRED LIABILITY:				
Bank loan, secured by a general assignment under Section 82 of the Bank Act		136,000		137,000
Less Payments due within one year		34,000		48,000
		102,000		89,000
CAPITAL: (Notes 1, 4, 5 and 6)				
Authorized - 10,000,000 common shares of no par value				
- (6,000,000 common shares at May 31st, 1966)				
Issued - 5,144,641 common shares		1,928,827		1,601,850
- (4,490,686 common shares at May 31st, 1966)				
RETAINED EARNINGS:		319,411		327,018
Contingent liability (Note 8)				
TOTAL	$	2,614,845	$	2,155,117

Approved on behalf of the Board

J. Richard Harris, *Director*

James S. Palmer, *Director*

Submitted with our report dated September 21st, 1967.

Chartered Accountants

The notes on page 18 form an integral part of these statements.

SYRACUSE OILS LIMITED

and its subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MAY 31st, 1967

		1967		1966
Net oil sales after royalties	$	167,356	$	194,020
Net gas sales after royalties		33,413		34,857
Royalty income		12		70
Interest and discounts earned		472		490
Sundry revenue		11,571		13,919
Profit on sale of fixed assets		15,293		419
Profit on sale of petroleum properties		25,842		12,375
Pipeline revenue		6,299		3,197
		260,258		259,347
Less: Well operating and field expenses		116,532		121,123
Administrative expenses		83,934		46,399
Interest and exchange		9,580		8,468
Directors' fees (Note 7)		—		2,500
		210,046		178,490
Net revenues before provision for depreciation and development amortization		50,212		80,857
Less: Provision for depreciation (Note 2)		28,068		31,285
Provision for development amortization (Note 3)		16,152		18,551
		44,220		49,836
Net Profit for the year	$	5,992	$	31,021

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MAY 31st, 1967

		1967		1966
Balance, June 1st	$	327,018	$	295,997
Net profit for the year		5,992		31,021
		333,010		327,018
Less: Amalgamation expenses		13,600		—
	$	319,410	$	327,018

The notes on page 18 form an integral part of these statements.

SYRACUSE OILS LIMITED

and its subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED MAY 31st, 1967

	1967	1966
Funds Provided		
Net revenues for the year before providing for depreciation and development amortization	50,212	80,857
Deferred liability - bank loan, less payments due within one year	13,000	30,500
Issue of common shares	105,790	250,000
Decrease in working capital	15,083	20,269
	$ 184,085	$ 381,626
Funds Applied		
Capital expenditures on wells	48,122	92,296
Acquisition of petroleum and natural gas leases, options, interests, and mining claims	2,073	18,378
Acquisition of gross overriding royalties	105,790	-
Acquisition of fixed assets	14,500	20,952
Investment in shares of Syracuse Oils Norge A/S	–	250,000
Amalgamation expenses	13,600	-
	$ 184,085	$ 381,626
Decrease in Working Capital		
Increase in Current Assets:		
Cash in banks	(25,703)	15,589
Accounts receivable	(98,186)	(15,108)
Inventories	10,833	1,481
Prepaid expenses	781	10,066
	(112,275)	12,028
Increase in Current Liabilities:		
Bank loan	61,000	(21,600)
Accounts payable	66,347	30,585
Royalties payable	11	(744)
	127,358	8,241
	$ 15,083	$ 20,269

The notes on page 18 form an integral part of these statements.

SYRACUSE OILS LIMITED

and its subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31st, 1967

1. **Amalgamation**

During the current fiscal period the amalgamation of Sage Oil Company Limited and Syracuse Oils Limited into one company called Syracuse Oils Limited was effected. Following the necessary approvals of the shareholders of both companies and the Supreme Court of Alberta, the Registrar of Companies issued a certificate of amalgamation on January 6th, 1967.

The comparative figures for 1966 are those of Sage Oil Company Limited and its subsidiary companies only. No income for Syracuse Oils Limited has been reflected because at the time of amalgamation it owned only non-income producing gross overriding royalties valued at $221,187.50.

2. **Depreciation**

Machinery and equipment are depreciated at rates calculated to write off the costs over periods not exceeding the useful life of the assets.

3. **Development Amortization**

Provision has been made for the amortization of the drilling and development costs of the wells at the rate of fifteen cents per barrel of oil sold and one cent per thousand cubic feet of gas sold.

4. **Capital Stock Authorized**

Pursuant to the Agreement of Amalgamation between Sage Oil Company Limited and Syracuse Oils Limited the number of authorized common shares of no par value is 10,000,000.

5. **Capital Stock Issued**

Pursuant to the Agreement of Amalgamation between Sage Oil Company Limited and Syracuse Oils Limited the issued capital of the amalgamated company after amalgamation was 4,933,061 shares.

Subsequently, the company issued 211,580 shares, at a value set by the directors of fifty cents per share, to Letsan Oils Limited as the consideration for the purchase of gross overriding royalties.

6. **Unissued Capital Stock**

Of the 4,855,359 unissued shares at May 31st, 1967 there is a stock option outstanding at $0.75 per share, valid until November 1st, 1971, for 100,000 shares to an employee exercisable at 1|5 per year, non-cumulative.

7. **Directors' Fees**

No Directors' fees have been paid or accrued during the current fiscal period. However, an informal agreement exists whereby each director is to receive a fee of between $500.00 and $700.00 per year. Payment of these fees has been suspended for the time being, but it is intended to pay them the accumulated fees when circumstances permit.

8. **Contingent Liability**

The Company has undertaken to guarantee the obligations of Syracuse Oils Norge A/S to the Norwegian Government. The Company will be idemnified with respect to 75% of these obligations when agreements, presently being made with all of the shareholders of Syracuse Oils Norge A/S, will limit their responsibility to a proportion equal to their share equity in Syracuse Oils Norge A/S.

SYRACUSE OILS LIMITED

and its subsidiary Companies

FIVE-YEAR STATISTICAL RECORD

Financial	**1967**	**1966**	**1965**	**1964**	**1963**
Net crude oil sales after royalty ....$	167,356	194,020	204,684	191,843	171,047
Net natural gas sales after royalty ....$	33,413	34,857	23,792	10,939	11,868
Royalty income ....$	12	70	140	100	72
Interest and discounts earned ....$	472	490	842	3,516	4,750
Sundry revenue ....$	11,571	13,919	18,999	3,155	1,476
Profit on sale of fixed assets ....$	15,293	419	6,053	-	-
Profit on sale of properties ....$	25,842	12,375	-	-	-
Pipeline revenue ....$	6,299	3,197	-	-	-
GROSS INCOME ....$	260,258	259,347	254,510	209,553	189,213
Lease operating expenses ....$	116,532	121,123	111,191	106,913	81,503
Administrative expenses ....$	83,934	48,899	33,887	30,934	55,583
Interest and exchange expenses ....$	9,580	8,468	5,067	168	88
TOTAL EXPENSES ....$	210,046	178,490	150,145	138,015	137,174
CASH FLOW ....$	50,212	80,857	104,365	71,538	52,039
Depreciation ....$	28,068	31,285	30,170	23,191	19,529
Development amortization ....$	16,152	18,551	17,307	13,774	12,100
NET PROFIT ....$	5,992	31,021	56,888	34,573	20,410
Working capital ....$	(35,234)	(20,152)	117	18,812	170,423
Long-term debt ....$	-	-	-	-	-
Bank loans ....$	211,000	137,000	128,100	35,000	-
Common stock - authorized	10,000,000	6,000,000	4,000,000	4,000,000	4,000,000
Common stock - outstanding	5,144,641	4,490,686	3,990,686	3,990,686	3,990,686
Net worth ....$	2,248,237	1,928,868	1,647,846	1,590,958	1,551,112
Operating					
Oil sales, net bbls after royalty	63,684	74,138	77,037	71,011	62,822
Gas sales, net Mcf after royalty	398,571	500,269	313,763	104,985	107,590
Gross working interest land, acres	752,873	668,037*	105,820	102,820	61,733
Net working interest land, acres	117,700	115,850*	57,684	55,116	47,712
Gross royalty land, points	14,683	101	101	101	18
Net royalty land, points	7,392	101	101	101	18
Gross oil wells	38	36	34	30	22
Net oil wells	22,61	24.36	25.37	23.47	20.67
Gross gas wells producing	9	7	4	4	2
Net gas wells producing	3.34	3.05	2.75	2.75	2.00
Gross gas wells shut-in	17	18	12	12	10
Net gas wells shut-in	12.17	12.42	10.42	10.42	10.00
Employees	7	6	6	6	6
Drilling Program					
Drilling and land acquisition costs ....$	50,288	110,674	116,363	173,596	58,013
Total gross wells drilled	4	12	6	11	2
Total net wells drilled	0.88	2.65	1.25	2.43	1.50
Gross oil wells drilled	-	2	-	4	-
Net oil wells drilled	-	0.25	-	0.80	-
Gross gas wells drilled	2	6	1	3	1
Net gas wells drilled	0.38	1.56	0.50	0.75	1.00

* *Includes Company's interest of 25 percent in acreage owned by Syracuse Oils Norge A/S.*

PRINTED IN CANADA BY
PHOENIX PRESS CO. LTD.
CALGARY, ALBERTA